



Part 1 – Annual Budget

1. Mayor's Report

Refer to section A

2. Council Resolutions

Refer to section B

3. Executive Summary

On July 1, 2004 the Municipal Finance Management Act officially came into effect. This legislation provides for significant changes in the way municipalities in South Africa manage their financial affairs. The legislation not only deals with accounting and finance issues but also deals with general management issues.

While the official date for the legislation was July 1, 2004 the implementation will be phased in up to a maximum of five years. This is due to the fact that the changes required are significant and far-reaching. Councils require time to make the necessary changes and ensure that employees understand and are trained in the required changes.

In terms of implementation, Naledi Local Municipality has been classified as a low capacity municipality. The Municipality has made significant progress in the implementation of the MFMA.

The Municipal Finance Management Act (MFMA) No. 56 of 2003 stipulates that an annual budget must be compiled and tabled in Council by 31 March, where after such is to be made available for public consultation, and at the end of that process Council must consider the budget by 31 May at the latest for approval.

The budget of the Naledi Local Municipality hereto presented as attached has been compiled for the 2012 / 2013 financial year as well as for the 2013 / 2014 and the 2014 / 2015 multi-year periods. At 14 December 2011 and 16 March 2012, National Treasury issued MFMA Circular No. 58 and 59 providing municipalities with information for the preparation of their 2012 / 2013 MTREF (Medium Term Revenue and Expenditure Framework) budgets and including guidance on growth parameters and related budget issues.

3.1 Overview of budget assumptions

The following factors were taken into consideration and assumptions made when compiling the budget for 2012/13, in order to compile a meaningful budget that is easy to understand:

External factors utilized during the calculation of the estimated revenue:-

- population;
- households;
- employment;
- health;
- development of businesses;
- new residential areas;
- The current inflation rate and its impact on the municipal activities;



- Macro Economic Trends and Growth Rates
- Interest rates for:
 - borrowing; and
 - investment of funds;
- Rates, tariffs, charges and timing of revenue collection;
- Growth or decline in tax base of the municipality;
- Anticipated price movements on bulk purchases of water and electricity, fuel etc.;
- Anticipated average salary increases;
- Demand for the different services;
- Provision of Free basic services;
- Grants and subsidies as per Division of Revenue Act;
- Impact of national, provincial and local policies;
- Ability of the municipality to spend and deliver the services.

The abovementioned assumptions were developed from the following sources:

- Information provided by government and Statistics SA;
- Information gained from reports from the financial system;
- Local conducted surveys by the district municipality (Bophirima District Municipality) and consumption data in respect of water, electricity, waste, sewerage outflow etc; and
- The municipality's own analysis of statistical data in respect of actual demand and consumptions in their communities.

3.2 Overview of budget funding

Rates, Tariff and other charges

The schedule for tariffs is attached, marked “**Annexure G**”. The Schedule is submitted to Council for adoption and for community consultative process.

Investments

Investment particulars will be detailed on supporting table 4-4a :-

- Supporting table 4 – Investment particulars by type
- Supporting table 4a – Investment particulars by maturity

Grant allocations

Grants and Subsidies will be detailed on supporting table 5-7:-

- Supporting table 5 – Grants and Subsidy allocation

NALEDI LOCAL MUNICIPALITY NW 392



- Supporting table 6 – New borrowings
- Supporting table 7 – Grant allocation



4. Operating Budget

Operating expenditure for 2012 / 2013 is planned to be R 226,348 million increasing from R 207,709 million adjustment budget (approved R 209 430) in 2010 / 2011, an increase of R 18 639 million. The budget will be funded from own revenue to the tune of R 165 536 million and grants and subsidies amounting of R 73 081 million of which R35 995 million and R13 519 from the district municipality is for operational expenditure, R 23 567 million for capital expenditure as per DORA, R 460 hundred thousand from Department of Sport, Arts and "Section EF".

NW392 Naledi (Nw) - Table A4 Budgeted Financial Performance (revenue and expenditure)

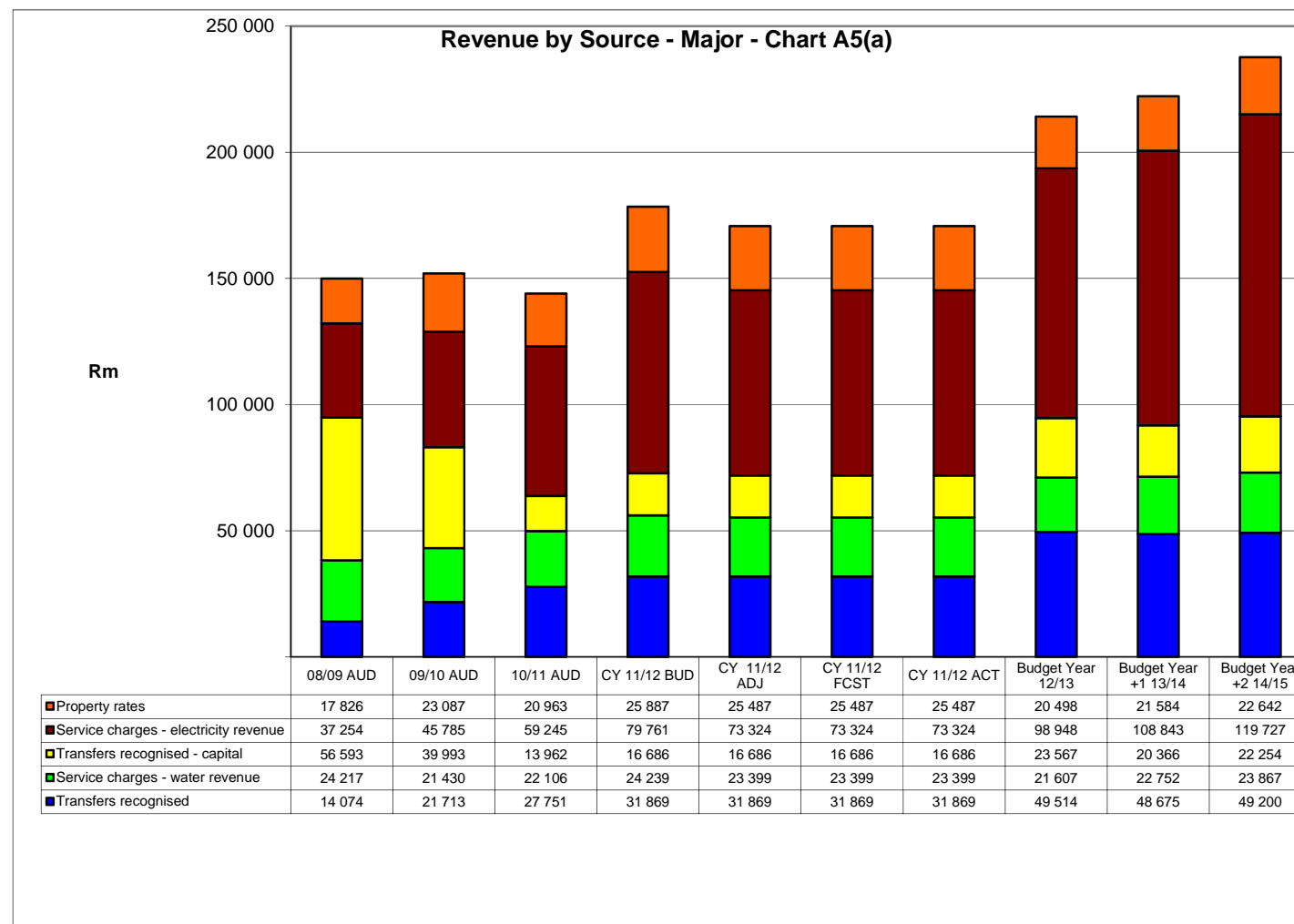
Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1										
<u>Revenue By Source</u>											
Property rates	2	17,826	23,087	20,963	25,887	25,487	25,487	25,487	20,498	21,584	22,642
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	37,254	45,785	59,245	79,761	73,324	73,324	73,324	98,948	108,843	119,727
Service charges - water revenue	2	24,217	21,430	22,106	24,239	23,399	23,399	23,399	21,607	22,752	23,867
Service charges - sanitation revenue	2	11,269	12,156	12,049	15,374	14,808	14,808	14,808	9,111	9,594	10,064
Service charges - refuse revenue	2	11,900	12,997	13,601	14,898	14,683	14,683	14,683	8,833	9,302	9,757
Service charges - other		–	–			–	–	–			
Rental of facilities and equipment	863		784	692	769	513	513	513	543	575	608
Interest earned - external investments		–				–	–	–			
Interest earned - outstanding debtors	3,861		7,450	7,421	9,744	7,110	7,110	7,110	–	–	–
Dividends received		–				–	–	–			
Fines	627		578	315	446	167	167	167	263	279	295
Licences and permits	1,049		1,498	1,290	1,500	1,073	1,073	1,073	1,440	1,524	1,614



Agency services		64	100	(7)	135	135	135	135	204	216	229
Transfers recognised - operational		14,074	21,713	27,751	31,869	31,869	31,869	31,869	49,514	48,675	49,200
Other revenue	2	1,955	3,144	3,945	25,595	24,292	24,292	24,292	4,089	4,331	4,586
Gains on disposal of PPE		833	92								
Total Revenue (excluding capital transfers and contributions)		125,791	150,815	169,370	230,217	216,859	216,859	216,859	215,050	227,674	242,591
Expenditure By Type	-										
Employee related costs	2	47,413	65,660	68,700	87,585	87,585	87,585	87,585	79,731	83,957	88,071
Remuneration of councillors		2,950	3,708	4,384	4,518	4,518	4,518	4,518	4,500	4,739	4,971
Debt impairment	3	51,777	69,126	26,813	10,000	10,000	10,000	10,000	31,208	33,859	36,709
Depreciation & asset impairment	2	8,506	8,882	8,459	9,800	9,800	9,800	9,800	10,378	10,990	11,639
Finance charges		8,393	9,652	10,435	5,598	5,898	5,898	5,898	6,246	6,615	7,005
Bulk purchases	2	21,016	34,567	45,786	42,800	41,300	41,300	41,300	60,324	63,521	66,634
Other materials	8	6,758	5,915	4,110	13,597	12,961	12,961	12,961	12,273	12,238	10,783
Contracted services		-	-	-	-	-	-	-	7,360	6,558	3,768
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4,										
Loss on disposal of PPE	5	14,203	27,642	25,239	35,533	35,648	35,648	35,648	14,328	16,499	17,355
Total Expenditure		161,015	225,151	193,927	209,430	207,709	207,709	207,709	226,348	238,975	246,934
Surplus/(Deficit)		(35,224)	(74,336)	(24,557)	20,787	9,150	9,150	9,150	(11,298)	(11,302)	(4,343)
Transfers recognised - capital		56,593	39,993	13,962	16,686	16,686	16,686	16,686	23,567	20,366	22,254
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											

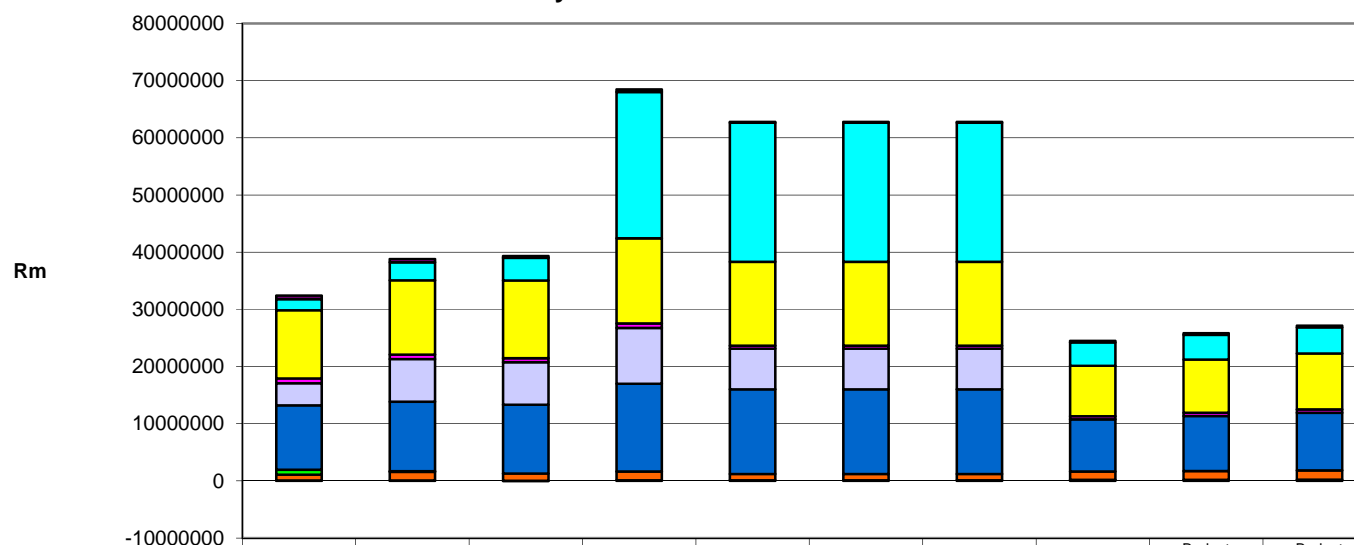


Surplus/(Deficit) after capital transfers & contributions Taxation		21,369	(34,343)	(10,595)	37,473	25,836	25,836	25,836	12,269	9,064	17,911
Surplus/(Deficit) after taxation Attributable to minorities		21,369	(34,343)	(10,595)	37,473	25,836	25,836	25,836	12,269	9,064	17,911
Surplus/(Deficit) attributable to municipality Share of surplus/ (deficit) of associate	7	21,369	(34,343)	(10,595)	37,473	25,836	25,836	25,836	12,269	9,064	17,911
Surplus/(Deficit) for the year		21,369	(34,343)	(10,595)	37,473	25,836	25,836	25,836	12,269	9,064	17,911





Revenue by Source - Minor - Chart A6



	08/09 AUD	09/10 AUD	10/11 AUD	CY 11/12 BUD	CY 11/12 ADJ	CY 11/12 FCST	CY 11/12 ACT	Budget Year 12/13	Budget Year +1 13/14	Budget Year +2 14/15
Interest earned - external investments										
Fines	627	578	315	446	167	167	167	263	279	295
Other revenue	1 955	3 144	3 945	25 595	24 292	24 292	24 292	4 089	4 331	4 586
Service charges - refuse	11 900	12 997	13 601	14 898	14 683	14 683	14 683	8 833	9 302	9 757
Rental of facilities and equipment	863	784	692	769	513	513	513	543	575	608
Service charges - other										
Interest earned - outstanding debtors	3 861	7 450	7 421	9 744	7 110	7 110	7 110			
Service charges - sanitation revenue	11 269	12 156	12 049	15 374	14 808	14 808	14 808	9 111	9 594	10 064
Gains on disposal of PPE	833	92								
Licences and permits	1 049	1 498	1 290	1 500	1 073	1 073	1 073	1 440	1 524	1 614
Contributed assets										
Contributions										
Agency services	64	100	(7)	135	135	135	135	204	216	229
Dividends received										



5. Capital budget

The proposed capital budget for 2012 / 2013 is R 31 288 million which will be funded from Government grants R 21 839 million, the internal funding amounting to R 9 447 million .

The list of proposed projects for the 2012 / 2013 capital budget and the 2013 / 2014 and 2014 / 2015 multi year period are attached as per section "F".

It should be noted that the difficulty in developing and balancing any budget especially the capital budget is due to the fact that the demands are always far greater than the available resources for any particular financial year. It is therefore important that the municipality must adopt in line with its objectives as set in the IDP have a transparent means in which to prioritize these projects in order to fit them within the available resources and at the same time promoting a balanced service delivery amongst all the communities within the municipal area of jurisdiction.

NW392 Naledi (Nw) - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Capital expenditure - Vote</u>	2										
<u>Multi-year expenditure to be appropriated</u>											
Vote 1 - ADMINISTRATION & CORPORATE SERVICES		7,154	6,886	412	748	673	673	673	180	—	—
Vote 2 - FINANCE MANAGEMENT SERVICES		3,577	2,408	59	600	415	415	415	100	—	—
Vote 3 - COMMUNITY DEVELOPMENT SERVICES		18,581	38,797	8,324	10,464	10,754	10,754	10,754	6,000	11,488	—
Vote 4 - TECHNICAL SERVICES		112,022	127,332	8,424	34,291	12,488	12,488	12,488	25,008	8,566	29,549
Vote 5 - MUNICIPAL MANAGER		408	294	68	1,170	420	420	420	—	—	—
Vote 6 - [NAME OF VOTE 6]		—	—	—	—	—	—	—	—	—	—
Vote 7 - [NAME OF VOTE 7]		—	—	—	—	—	—	—	—	—	—
Vote 8 - [NAME OF VOTE 8]		—	—	—	—	—	—	—	—	—	—



Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	141,742	175,717	17,286	47,272	24,750	24,750	24,750	31,288	20,055	29,549
<u>Single-year expenditure to be appropriated</u>	2										
Vote 1 - ADMINISTRATION & CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCE MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - COMMUNITY DEVELOPMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-



Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote	141,742	175,717	17,286	47,272	24,750	24,750	24,750	31,288	20,055	29,549	
<u>Capital Expenditure - Standard</u>											
<i>Governance and administration</i>	-	-	538	2,518	1,508	1,508	1,508	280	-	-	
Executive and council			68	1,170	420	420	420	-			
Budget and treasury office			59	600	415	415	415	100			
Corporate services			412	748	673	673	673	180			
<i>Community and public safety</i>	-	-	8,324	6,466	6,756	6,756	6,756	1,000	6,088	-	
Community and social services			140	5,516	6,756	6,756	6,756		-		
Sport and recreation					-	-	-	1,000	6,088		
Public safety			5,897	950	-	-	-				
Housing			2,287								
Health											
<i>Economic and environmental services</i>	-	-	3,386	14,372	8,792	8,792	8,792	7,839	-	15,441	
Planning and development											
Road transport			3,386	14,372	8,792	8,792	8,792	7,839		15,441	
Environmental protection											
<i>Trading services</i>	-	-	5,039	23,767	7,544	7,544	7,544	14,967	13,509	6,000	
Electricity			3,918	12,060	4,870	4,870	4,870	9,967	8,109	6,000	
Water			97	6,360	200	200	200	-			



Waste water management				189	1,349	510	510	510			
Waste management				835	3,998	1,964	1,964	1,964	5,000	5,400	
Other					150	150	150	150	7,202	457	8,108
Total Capital Expenditure - Standard	3	–	–	17,286	47,272	24,750	24,750	24,750	31,288	20,055	29,549
<u>Funded by:</u>											
National Government				6,934	16,173	11,853	11,853	11,853	21,839	19,598	21,441
Provincial Government				2,287							
District Municipality									–		
Other transfers and grants											
Transfers recognised - capital	4	–	–	9,221	16,173	11,853	11,853	11,853	21,839	19,598	21,441
Public contributions & donations	5			4,802							
Borrowing	6										
Internally generated funds				3,263	31,100	12,897	12,897	12,897	9,449	457	8,108
Total Capital Funding	7	–	–	17,286	47,272	24,750	24,750	24,750	31,288	20,055	29,549



6. Budget summary

Provision has been made for 8.5 % increase in employees' salaries in terms of the three years' salary agreement, and 5 % estimated increase in salaries of Councilors which still have to be announced in terms of Public Office Bearers Act. Provision for salaries is planned at R 79 731 million for employees and R 4 500 million for Councilor's allowances which represent 35.2 % for the 2012 / 2013.

NW392 Naledi (Nw) - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Councillors (Political Office Bearers plus Other)</u>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages		2,950	3,708	4,384	4,518	4,518	4,518	4,500	4,739	4,971
Pension and UIF Contributions										
Medical Aid Contributions										
Motor Vehicle Allowance										
Cellphone Allowance										
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		2,950	3,708	4,384	4,518	4,518	4,518	4,500	4,739	4,971
% increase	4		25.7%	18.2%	3.0%	—	—	(0.4%)	5.3%	4.9%
<u>Senior Managers of the Municipality</u>	2									
Basic Salaries and Wages		3,437	2,586	5,130	5,843	5,843	5,843	4,211	4,421	4,642
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime			933							
Performance Bonus					83	83	83	87	92	96
Motor Vehicle Allowance	3									
Cellphone Allowance	3									



					748	748	748	785	824	865
Housing Allowances	3		681							
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		3,437	4,200	5,130	6,674	6,674	6,674	5,083	5,337	5,604
% increase	4		22.2%	22.1%	30.1%	–	–	(23.8%)	5.0%	5.0%
<u>Other Municipal Staff</u>										
Basic Salaries and Wages		32,553	43,947		56,698	56,698	56,698	53,306	54,745	57,903
Pension and UIF Contributions		5,403	8,460		8,776	8,776	8,776	7,736	8,654	8,903
Medical Aid Contributions		2,962	3,355		4,087	4,087	4,087	3,602	4,030	4,146
Overtime		2,625	3,731		5,266	5,266	5,266	4,641	5,192	5,342
Performance Bonus								–	–	–
Motor Vehicle Allowance	3	348	393		665	665	665	586	656	675
Cellphone Allowance	3	3,067	4,159		4,587	4,587	4,587	4,043	4,523	4,653
Housing Allowances	3							–	–	–
Other benefits and allowances	3	455	682		832	832	832	734	821	844
Payments in lieu of leave					–	–	–	–	–	–
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		47,413	64,727	–	80,911	80,911	80,911	74,648	78,620	82,467
% increase	4		36.5%	(100.0%)	–	–	–	(7.7%)	5.3%	4.9%
Total Parent Municipality		53,799	72,635	9,514	92,103	92,103	92,103	84,231	88,695	93,041



			35.0%	(86.9%)	868.0%	-	-	(8.5%)	5.3%	4.9%
<u>Board Members of Entities</u>										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
<u>Senior Managers of Entities</u>										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
<u>Other Staff of Entities</u>										



Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		53,799	72,635	9,514	92,103	92,103	92,103	84,231	88,695	93,041
% increase	4		35.0%	(86.9%)	868.0%	-	-	(8.5%)	5.3%	4.9%
TOTAL MANAGERS AND STAFF	5	50,850	68,928	5,130	87,585	87,585	87,585	79,731	83,957	88,071



The cost of electricity factored into the tariff payable by consumers has been increased by 11.03 % to cover the increase in Eskom's electricity price of 13.5 %. In order to improve and sustain the provision quality water service to the communities of Naledi and to uphold the provision of free basic water to the poor households in the municipality the cost of water to be factored in the tariff payable by consumers has been increased by 5.9 %. Naledi will continue to provide for the free basic of free 6 kl of water and 50 kWh of electricity services as required by the Act.

The following provision has been made on the budget to cater for the long term liabilities and creditors:-

The provision for bad debts has been maintained at R 31 208 million in anticipation of enhanced revenue collection that should flow from the implementation of the turnaround strategy of the new prepaid integrated into financial system software. The financial system provider has commenced the processes of cleansing the data in the financial system and consolidating our consumer accounts with the intention of linking all consumer accounts with the prepaid electricity system for the purpose of enhancing the revenue.

The Government grants, especially the equitable share is estimated to keep growing in the outer years of the MTREF moving from R 29 119 million in 2011 / 2012, to R 33 235 in 2012 / 2013, R 35 740 in 2013 / 2014 and reaching R 38 918 million in 2014 / 2015.

7. Proposed tariffs

In the 2012 / 2013 budget the following increase in tariffs for the basic services and other services are proposed:-

<u>SERVICE</u>	<u>2010 / 2011</u>	<u>2011 / 2012</u>	<u>2012 / 2013</u>
Water	10 %	10 %	5.9 %
Electricity	28.9 %	20.38 %	11.03 %
Refuse	6 %	4.8 %	5.9 %
Sewerage	6 %	10 %	5.9 %
Property rates	6 %	4.8 %	5.9 %
Other	6 %	4.8 %	5.9 %
Flat rate(Dithakwaneng)	53.28	53.28	53.28

Tariffs in relation to the property rates.

Assessment rates increase is proposed at 5.9 % and is in compliance with the Government Gazette No. 33016 Notice No. R 195 as issued by the minister of cooperative a traditional affairs in concurrence with the minister of finance.

The proposed tariffs are as follows:-

The tariffs of the municipality should make a flat rate for the sewer collection in Dithakwaneng in order to levy for the service currently given free of charge in that area.

8. Grant Allocations

Naledi like any other municipality will benefit from this increase, and grant allocations for both operational and capital to the municipality over the 3-year period as appearing in the 2012 Division of Revenue Bill are indicated as follows:-



<u>REVENUE SOURCE</u>	<u>2010 / 2011</u>	<u>2011 / 2012</u>	<u>2012 / 2013</u>	<u>2013 / 2014</u>	<u>2014 / 2015</u>
	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Equitable Share	25,560	29,119	33,235	35,740	38,918
Finance Management Grant	1,000	1,500	1,500	1,500	1,500
Municipal Systems Infrastructure	750	790	800	900	950
Water Operating Scheme Grant	-	-			
Municipal Infrastructure Grant	9984	12,009	14,567	15,366	16,254
Electricity Demand Site Management			8,000		
Integrated National Electrification Grant	-	4,320	-	5,000	6,000
EPWP		357	1000		
TOTAL	37,294	48,095	59,102	58,506	63,622

9. Budget related Policies – Overview and proposed amendments

Section 62 of Municipal Finance Management Act stipulates that municipalities are responsible for managing the finances, by ensuring effective, efficient and economic use of resources. Therefore proper financial management policies and procedures that can able financial planning, effective implementation of budget, reporting of actual expenditure and revenue and early introduction of necessary intervention measures will be critical in ensuring complete compliance with this legislative requirements. These policies are attached as per “Annexure I” whilst the schedule of rates and tariffs is attached as “Annexure G”.

9.1 BUDGET POLICY

This policy talks about the principle of budgeting. The municipality shall have a credible budget and a balance budget, and should ensure that revenue projections in the budget are realistic taking into account actual collection levels.

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

The Naledi Local Municipality shall prepare three-year budget medium term revenue and expenditure framework (MTREF) and that be reviewed annually and approved by Council. The MTREF budget shall at all times be within the framework of the Municipal Integrated Development Plan “Annexure I”.

9.2 FUNDS AND RESERVE POLICY

The policy sets out the assumptions and methodology for estimating the following “Section M”:

- Projected billings, collections and all direct revenues.
- Provision for revenue that will not be collected.
- Funds that the municipality can expect from investments.
- Proceeds the municipality can expect to receive from the transfer or disposal of assets.



- Council's borrowing requirements.
- Funds to be set aside in reserves.

9.3 CREDIT CONTROL POLICY

To ensure that all monies due and payable to the municipality for rates and the services rendered are collected;

- Outline credit control and debt collection policy procedures and mechanism;
- Provide for conditions pertaining to the supply of services and the discontinuation thereof;
- Provide for mechanism whereby accounts or meter readings services are queried or verified and for written objections;
- To make provision for indigent support;
- To provide for mechanism where irrecoverable debt are written off; and
- To provide for penalties for non-compliance with the credit control and debt control management policy;
- To provide for incentives & disincentives in order to ensure cost-effective collection process; and
- To provide for measures to ensure that enforcement of payment must be prompt, consistent and effective.

9.4 ASSETS MANAGEMENT POLICY

The policy is all about the management of the assets.

9.5 RATES POLICY

This policy document guides the annual setting (or revision) of service charges and tariffs. It does not make specific tariffs proposals. Details pertaining to the applications of the various service tariffs are contained in the municipality's schedule of tariffs and rates published in the Provincial Gazette, which must be read in conjunction with this policy.

9.6 CASH MANAGEMENT AND INVESTMENT POLICY

This policy prescribes the manner in which the Municipality must conduct its cash management and investments. The policy further prescribes the obligations and the accountability of the municipality as a trustee of public funds that cash resources are managed as effectively as possible by ensuring that such funds are invested with great care. The investment policy aims through effective cash flow management program embedded on legislative provisions at gaining the highest possible return without undue risk during those periods when funds are not required.

9.7 INDIGENT POLICY

The purpose of the indigent policy is to ensure:

- The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council; and
- To provide procedures and guidelines for the subsidization of basic service charges to its indigent households, using the Council's budgetary provisions received from Central Government, according to prescribed policy guidelines.
- The Council also recognizes that many residents can simply not afford the cost of full provision and for this reason the Council will endeavor to ensure affordability through setting tariffs in terms of the Councils Tariff Policy, which will balance the economic viability of continued service delivery; and determining appropriate service levels.

9.8 SUPPLY CHAIN MANAGEMENT POLICY

The policy spells out significant reforms for the procurement of goods and services in the municipality. This framework modernizes financial governance in the municipality and improves accountability and transparency for the award of municipal bids. It further establishes key procedures to enhance projects and budget implementation whilst minimizing fraud and corruption in the bidding process, and preventing and minimizing possible conflicts of interest

10. Consultative process



The process for community consultation started from 16 May 2012 until 22 May 2012 and all inputs received from the community were taken into consideration before the finalization of the 2012/2013 Budget "Annexure H".

11. Alignment with national, provincial and district priorities

The National, provincial and district priorities will be gathered during consultative Process and be integrated in the IDP of the Naledi Local Municipality and District Municipality.

12. Alignment with National and Provincial Government

Information-sharing will take place between the municipality and the national and Provincial governments, in order to ensure integration.

13. Situational Analysis

13.1 Geographic Area Size

13.1.1 Geographic Area Size

Naledi Local Municipality (NW392) is approximately 7 258 km² in extent. This land mass is 15% of the total area of the Dr. Ruth S Mompoti District Municipality area. The administrative centre of the municipality is in the town of Vryburg.

The town of Vryburg is considered the agricultural and industrial centre of Dr Ruth S Mompoti District Municipality. The town is the host to the 3rd largest agricultural show in South Africa. This makes NLM the main employer and most significant contributor to GDP.

13.1.2 Population Size

Water and sanitation backlog study report of 2007, record 68380 as the total population of Naledi Local Municipality (13.6%) of the total population of Dr Ruth S Mompoti District Municipality of about 500 365 people). Community Survey 2007 total population figure for Naledi Local Municipality was 57 934, which has since increase due to various factors including influx of people from the farms and growth within communities.

Municipality	Population estimate	Households
Naledi Local Municipality	68 380	16338
Dr Ruth S Mompoti District Municipality	500,365	104,922

Sources: (water and sanitation backlog study released October 2007 and Global Insight 2009)



The above shows an average household size of 5. This number is high and will put pressure on the provision of water, sanitation and health facilities on the local municipality.

Note: There has been conflicting reports in terms of population in Naledi local municipality. Global Insight survey conducted in 2009 shows a decrease in population within the municipality. Their report indicates the figure at 59417 which is less than the water and sanitation backlog study 2007 at 68380. Census 2001 report also indicates decrease in population.

13.3 Population Groups

Water and sanitation backlog study (2007), depicts that the Africans are in the majority and constitute about 55 424 people (81.05%) of the total population of NLM). The Whites group is about 4520 (9%) of the total population of NLM), Coloured constitute 2171 (4.3%) of the total population of NLM) and the total number of Asians is 124 (0.2%) of the total population of NLM.

Population group	Male		Female		Total	
	Number	Percentage of total	Number	Percentage of	Number	Percentage of total population
African	26995	39.47%	28429	41.57%	55424	81.05%
White	2416	3.53%	2538	3.71%	4954	7.24%
Coloured	3344	4.89%	3746	5.47%	7090	10.37%
Indian/Asian	457	0.66%	455	0.66%	912	1.34%
Total	33212	48.82%	35168	51.41%	68380	100%

Source: (Global Insight survey 2009 and Water & Sanitation backlog study 2007)



14. Provision of Free Basic Services

Naledi Local Municipality continues to play a central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to the social well-being and economic activity. Naledi Local Municipality is providing free basic services in terms of the National Policy on free basic services.

Free Basic Water	: 6078 beneficiaries
Free Basic Electricity	: 5812 beneficiaries (50kWh each)
Free Basic Refuse Removal	: 707 beneficiaries
Free Basic Sewer	: 707 beneficiaries
Below RDP	: 87
Access to infrastructure	: 2784
Water supplied within 200m	: 3295
In house yard connections	: 14385

The free basic electricity is not applicable, refuse removal is granted at 100% and rebate on property rates is granted to poor households who are registered as indigent households in terms of the Indigent Policy. The free basic water and sewerage is provided to all domestic or residential users of water and sewerage irrespective whether is an approved indigent household or not.

15. The municipal vision, mission and values

"We strive to be a prosperous and unified Municipality which is able to provide equal cost effective and sustainable quality service to all the residents of Naledi which in turn will assist in the creation of jobs, alleviate poverty through our integrated and holistic programme of development wherein provision of social and economic security and safety will be our critical focus"

- ❖ Creation of conducive environment suitable for provision of excellent municipal services
- ❖ To encourage and foster transparency, accountability, effectiveness and efficiency
- ❖ Marketing and development of our municipality as a destination of growth and prosperity.
- ❖ Acceleration of change and delivery of basic service through IDP
- ❖ Fighting of nepotism, patronage and corruption in order to enhance good coordinated governance.



16. Strategic focus areas

Development priorities and objectives are clustered in respect to the following key performance areas:

- Services delivery
- Local economic development
- Financial management and administrative
- Governance, public participation and intergovernmental outcomes
- Administration and labour matters

17. Service delivery standards, levels of services, outcomes, timetable for achievement and financial implications

17.1 WATER

SITUATIONAL ANALYSIS

- Naledi Municipality is the water services provider
- Sedibeng water was appointed by the District Municipality as provider for Pudimoe
- Huhudi absolutely dependent on water from Pudimoe
- Huhudi need at least 2.5 mega liters per day
- Huhudi received between .75 and 1.2 ml daily which is inadequate
- The plant at Pudimoe is refurbished and operational but still have snags
- Vaal harts water will provide extra channel for increased provision of raw water
- Proposed date for plant to be fully operational was 05 December 2011 (achieved although snags still appear from time to time)
- More water points need to be supplied in informal areas to make water more accessible
- Pumps at boreholes needs to be aligned to yield of borehole
- Testing of boreholes concluded
- Meters at pumps need to be replaced
- Zoning system needs to be introduced to ensure proper control
- Telemetric system needs to be refurbished (district already appointed a service provider to do assessment)
- Municipality fenced reservoir at Huhudi as residents created an unhealthy environment on top of reservoir
- New pipeline and reservoirs from Pudimoe plant already under construction
- Water is received from Pudimoe Purification Plant and 18 boreholes.
- 12ML is needed per day
- Receive 1ML from Pudimoe Purification Plant per day and sometimes 3ML depending on the hours of water pumping
- No bulk metering available to measure the yield of boreholes
- During summer months there is a tendency that reservoirs runs dry
- 11 335 households connected to water
- 3 312 households serviced by stand pipe
- 630 households in Dithakwaneng have access to water below RDP standards.
- 147 households in Gedultspan have access to water using one borehole which is below RDP standard

CHALLENGES

- Inadequate bulk water supply from boreholes and Pudimoe purification plant.
- Telemetry system not operational
- After the refurbishment of the second Pudimoe Purification Plant is complete additional 7ML of water will be available daily
- Sinking of 3 additional boreholes will assist in addressing the water shortage problem

STRATEGY:



- Develop master/maintenance plans for water, sewerage, roads and storm water, electricity and municipal buildings.
- Source funding for improvement or replacement of dilapidated infrastructure
- Have the telemetry system repaired/replaced
- Have additional boreholes drilled

17.2 SANITATION

SITUATION ANALYSIS

- Waste Water Treatment Plant needs refurbishment to ensure green drop compliance is reached
- VIP toilets need to be chemically treated to clean pits
- Solar powered toilets need to be introduced to ultimately replace VIP toilets
- Full investigation needs to be conducted on serviceability of current reticulation system
- Pump station in Sable Street to be disposed off by introduction of new line
- Man hole lids should be replaced with lockable lids to prevent sabotage
- Stella needs new oxidation pond
- Stella need new cesspool truck
- Sewer pump station at Rekgarathile need to be operationalized
- plant needs new vehicle
- Waste Water Treatment Plant under capacity (capacity 6.5 ml compared to inflow of 9.0 ml)
- Oxidation Pond in Stella full.
- Bulk Sewer Network has reached maximum capacity
- Stella town not connected to sewer network
- Broken Equipment at waste water treatment plant in Vryburg
- 8 465 connected to sewer networks
- 421 using septic tanks
- 1630 using VIP system at Dithakwaneng
- 1800 Illegal squatters using bucket system
- 1830 Illegal squatters are using communal VIP

STRATEGIES

- Upgrading the plant to 10ML
- Upgrading the sewer bulk infrastructure
- Upgrade sewer treatment plant to ensure compliance with Department of labour.
- Built the fully fledged 5ML WWTP in Stella
- Design and Construction of bulk sewer collection lines
- Repair/replace broken mechanical equipments

17.3 ELECTRICITY

The situation in Naledi Local Municipality is of the old and dilapidated infrastructure. As the area is growing, there is a need for additional supply and strengthening of the network (bulk and distribution). People are flocking into the area from the surrounding municipality that makes the demands to be high.

- ESKOM to supply additional electricity as system is currently under severe pressure



- ESKOM already started working on improving supply
- Solar water geysers project stopped as result of hard water
- additional funding awaited to install water softners (Department Of Energy)
- Solar farm of 10 mega watt approved in Broedersput
- Negotiations under way to establish additional solar farm near Vryburg (50 mw)

4.1.3.1 OBJECTIVES

- To supply a stable and sufficient electricity to consumers
- To ensure area lighting.

4.1.3.2 STRATEGIES

- Supply electricity from the southern side of the Vryburg town in order to reduce the load on the main sub-station at the industrial area.
- To develop the second fidder line to assist the Delarey Fidder line of ESKOM.
- To strengthen the fidder line that feed Stella Sub-station
- Upgrading of internal bulk network and distribution lines
- To introduce energy saving appliances
- To introduce rebates on all housing plans that has lighting that is more natural.

17.4 MUNICIPAL ROADS

SITUATION ANALYSIS

- ± 80% of the 41 km of surfaced roads need maintenance.
- 18km gravel roads need continuous re-gravelling and grading.
- 41 km surfaced road without storm water channels
- 18 km of gravel roads need to be upgraded
- Ageing roads construction plants
- A need to construct diversion and or alternative road abnormal and heavy duty vehicles
- Challenge with regard to availability of machinery as money for repairs to plant not available, because of poor payment received from consumers
- Planning to determine level of deterioration on roads complete
- R39 million needed to patch, reseal or refurbish roads to basic standard
- MIG project – Dithakwaneng access road in progress
- Government launched initiative to identify roads to be repaired and to avail money for such repairs (56 bn Minister Pravin Gordhan)
- Rekgarathile access road needed
- Capable personnel available to patch potholes and affect minor repairs (currently busy with repairs)

STRATEGIES

- Repair potholes
- Paving of identified bad roads
- Maintain storm water systems
- Maintain storm water channels
- Re-graveling and grading of gravel roads
- Purchase new infrastructure

**17.5 REFUSE REMOVAL**

SITUATION ANALYSIS	OBJECTIVES	STRATEGIES
No access to Waste and refuse disposal at Dithakwaneng and Devondale	To have refuse removal services for household at Dithakwaneng and Devondale	Providing household with refuse removal Vehicle and mini transfer station
No licensed landfill site at Stella	Provide a fully fleshed and permitted landfill site at Stella	Appointing the Consultant for the registration process
Illegal Dumping	<ul style="list-style-type: none"> ▪ Achieve a safe and healthy environment. ▪ Clear common understanding of where should and should not dump. ▪ Sustainable environmental cleaning campaigns ▪ Enforcement of by-laws 	<ul style="list-style-type: none"> ▪ Health awareness campaign ▪ Clearly demarcated spots
Insufficient number of refuse bins at Huhudi and Colridge	Each and every household to possess 240L bin for refuse storage	Inviting bids for supply and delivery of bins
Insufficient number of transfer Stations	Ensure establishment of transfer station at Colridge, Ext 25, Devondale and Dithakwaneng	Apply for MIG funding and permit from (DACERD) Department of Agriculture, Conservation, Environment and Rural Development
Unreliable transportation for refuse removal	To have more reliable vehicles and more effective service delivery	Inviting bids for the supply and delivery of vehicles
Mass containers (18m3) not being maintained	To ensure maintenance of the containers on a regular basis	Maintenance of containers
8. Colridge graveyard not fenced	To have a fenced, secure grave yard	Fencing of the cemetery

18. Annual budget tables

Refer to Municipal Annual Budget and MTREF & Supporting Tables attached as "Section C"

19. Councilors and board members allowances and employee benefits.

Refer to Section 'C' Table SA22.

The above table is a comparison of the total expenditure related to salaries and benefits for the mentioned financial years as per the budget for 2012/2013

The staff salaries budget has been increased by 8.5% across the board.



Breakdown of salaries, remuneration and benefits

The detailed breakdown of the salaries, wages, remuneration and benefits are will be depicted in Supporting table 8 – 8b:-

- Supporting table SA23 – Disclosure of salaries, allowances and benefits
- Supporting table SA22 – Summary of total salaries, wages, allowances and benefits
- Supporting table SA24 – Summary of personnel numbers

20. Monthly targets for revenue, expenditure and cash flow

The monthly cash flows will be reflected in the Supporting table SA27 and SA30:-

- Supporting table SA30 – Monthly Cash Flows
- Supporting table SA27- Monthly revenue and expenditure.

Annual budget and service delivery and budget implementation plans-internal departments

The service delivery budget implementation plan per department will be furnished on the submission of final budget.

Annual budget and service delivery agreements-municipal entities and other external mechanisms.

The Naledi Local Municipality does not have the municipal entities.

21 Capital expenditure details

- Refer to Section 'c' Table A5

22.Budget process

Schedule of key deadlines relating to budget process (MFMA s21(1)(b))

A budget time-table (Schedule of key deadlines) relating to budget process (MFMA s21 (1) (b)) was compiled and submitted to the Council of Naledi Local Municipality. The Council took notice of it and emphasised the adherence to it.

**IMPLEMENTATION OF MUNICIPAL FINANCE MANAGEMENT ACT****MONITORING TOOL**

CHAP TER	SECTION	CONTENTS	LEGISLATIVE COMPLIANCE DATE	STATUS OF MUNICIPALITY
4	15	Budgets: Appropriation of funds		Complies
	16	Tabling and approval of budgets before start of financial year	Immediately, with 2012/13 budget to be tabled in Council no later than 31 March 2012 and annually thereafter before 31 May	Complies
	17(1)(c), (d)(ii) and (3)(b)	Contents of budgets and supporting documents	Applies to 2012/13 budget	Complies
	18	Funding of expenditure	With effect from 2012/13 budget year	Complies
	19	Capital Projects	Applies to 2012/13 budget	Complies
	21	Budget preparation process	Budget preparation plan to reach Council before 30 September and annually thereafter	Complies
		Publication of annual budget	Immediately after 31 March 2012	



CHAP TER	SECTION	CONTENTS	LEGISLATIVE COMPLIANCE DATE	STATUS OF MUNICIPALITY
	22	Consultations on budget (Community participation)	Applies to 2012/13 budget	Complies
	23			Complies
		Approval and submission of budgets	Applies to 2012/13 budget	
	24(2)(c)(iii)	Failure to approve budgets		Complies
		Consequences of failure	Immediate	
	25		Immediate	Complies
	26, 27	Municipal Adjustment budgets		Complies
		Unforeseen, unavoidable, unauthorized, irregular expenditure	With effect from 01 July 2012	Complies
	28	Contracts with future budget implications	Immediate	Complies
	29,30,31,32		Immediate	Complies
	33			Complies
5	35	Promotion of co-operative governance Promotion of co-operative	Immediate	Complies



CHAP TER	SECTION	CONTENTS	LEGISLATIVE COMPLIANCE DATE	STATUS OF MUNICIPALITY
	37	governance	Applies to 2012/13 Budget	Complies
	38,39,40	Stopping of funds to municipalities	With effect from 1 July 2012	Complies
6	45	Short-term debt repayment	Immediate with S45(4)(a)	Complies
	46,47,48,49,50	Long-debt, debt security, disclosure and guarantees	Immediate	Complies
7	52	Responsibilities of Mayors	Immediate	Complies
	53 1(c)(ii)&(iii), & (3)	Service delivery and budget implementation plans		Complies
	54(1)(b), (c), (d)(i), (3)			Complies
8	60,61	MM to be accounting officer, Fiduciary responsibilities	Immediate	Complies
		Internal audit		
	62(1)(c) & (f)(i)(ii)(iii)			Complies
	62(1)(f)(iv)	Full and proper records and supply chain management		Complies
		Asset and liability management		
	63(2)	Asset & liability management		Complies



CHAP TER	SECTION	CONTENTS	LEGISLATIVE COMPLIANCE DATE	STATUS OF MUNICIPALITY
	63(1)	Expenditure on staff benefits		Complies
	64,65		Immediate with reports setting out totals for category {i.e. (a) to (g)} by 31 January (for July to December) and 31 July (for January to June) each year	Complies
	66	Funds transferred to organizations & budget preparation	Immediate	Complies
		Monitoring of revenue & expenditure		
		Submission of draft SDBIP	Immediate	
	67,68	Shortfalls & overspendings		Complies
	69(1)&(2)	Monthly budget statements		Complies
	69(3)			Complies
		Expenditure by vote		
	70			Complies
	71(1)(a)(b)(g)(iii), (2)(3)&(4)	Monthly budget statements DORA		Complies
	71(1)(c)&(d)&(g)(iii)	Midyear budget & performance assessment		



CHAPTER	SECTION	CONTENTS	LEGISLATIVE COMPLIANCE DATE	STATUS OF MUNICIPALITY
	71(1)(e), (f), (5,6,7)	SDBIP		Complies
	72(1)(a)(i)(iii)(i v)			Complies
	(1)(b), (2)&(3)	Reports on failure to implement Budget		Complies
	72 (1)(A)(1) (ii)	General reporting obligation Information for web-sites		
	73			Complies
	74			Complies
	75			Complies
9	80	Budget & Treasury Office establishment	Immediate	Complies
	82	Delegations by Chief Financial Officer		Complies
10	84,85,86,	Bank accounts	Immediate.	Complies
11	110,113,114, 115,116,117,1	Supply chain management		Complies



CHAP TER	SECTION	CONTENTS	LEGISLATIVE COMPLIANCE DATE	STATUS OF MUNICIPALITY
	18	Supply chain management policy		
	111	Policy to comply with framework		Complies
	112	Competency levels		
	119			Complies
	120	PPP-conditions and process		Complies
12	121	Reports & Audits –annually		Complies
	122(1)	Financial statements	Immediate	Complies
	122(3)	Statements – GRAP compliance		Complies
	123	Disclosures on allocations		Complies
	124,125	Disclosures on Councillors	Immediate	Complies
	126,127,128,129,130,131,132,133,134	Reports and audit, submissions, consequences, annual reports		Complies
13	135 to 162			
14	165	Internal audit unit		Complies



CHAPTER	SECTION	CONTENTS	LEGISLATIVE COMPLIANCE DATE	STATUS OF MUNICIPALITY
	166	Audit committees	Immediate	Complies
	167,168,169, 170	Councilors remuneration, treasury regulations, consultative processes		Complies
15	171 to 175	Financial misconduct	Immediate	Complies

Stakeholders

Stakeholders who attended the IDP Steering Committee meetings and that will be attending Representative Forum meetings will be from all over the Municipality.

Process for tabling the budget in council for consultation

The IDP and Budget for 2012/13 will be discussed during community meetings that will be held at various places. The IDP and Budget documents will also be open for perusal. These meetings will be published in local newspapers, notice boards of the municipal offices and libraries.

Models used for prioritizing resource allocation

The Representative Forum communicated the needs and demands of the community to the meeting. The available funding for capital projects was obtained from the Division of Revenue Act and the Finance Department. Meetings were held by the different departments and the projects as reflected in the IDP were prioritized according to the framework, where possible.

Process to record and integrate inputs from the community in the final budget

The requests / comments that will be received from the community will be integrated into IDP and Budget document before the final approval by the Council.

Overview of alignment of budget with Integrated Development Plan

The general principle in constructing a municipal budget is that the developmental policy proposals that are contained in the IDP of the municipality must be costed and budgeted for. Having looked at the municipality's IDP, you may want to verify whether priority issues have also been budgeted for in alignment with the IDP documentation. This information should, at least to some extent, be found in the municipality's budget.

Alignment for the capital budget to the IDP occurred mostly at a project level and not necessarily at a strategic level. Having undertaken an assessment of spending patterns against IDP Priorities, it was found that the IDP and the Budget (Operating and capital) is actually more aligned to the IDP than originally expected. But, the



allocation of the budget (operating and capital), is something that need to be addressed through the development of a prioritization/allocation model against IDP priorities aligned to financial strategies.

Review of the Integrated Development Plan

The current IDP was adopted by the Council is a product of the newly elected Council and will be applicable for the same term of office as Council.

Trade Creditors.

The municipality is unable to honor its creditors within the 30 days period due to the debt legacy inherited and trying to close the gap.